

Quote of the Week: *"I don't know anything about cars"* – Edward Whitacre, new Chairman of General Motors. **Saturn:** As most

readers of this missive know, before losing my mind and entering politics, I was in the car dealership business for 25 years. As many of you probably don't know, I was the first Saturn retailer (Saturn was avoiding the term "dealer") chosen by the company back in 1987. I was on the "Franchise Operations Team" that helped develop and grow the retail system that has demonstrated its success in providing high levels of customer service. I opened one of the first 25 stores in 1989 and eventually owned and operated 5 Saturn Facilities in Orange County by 1997. I sold my business to a subsidiary of General Motors in 1998 when GM (in one of their many recent mistakes) decided that they could run dealerships better than individual dealers could, and my business was their first acquisition (That experiment failed a few years later and they sold the stores back into the market). As you can imagine, I have more than a little experience with the company, its mission, and a lot of passion for the brand and its objectives.

So, I apologize in advance to those of you who want to hear less about the car business and more about something else, but I feel compelled to comment on the recent planned acquisition of Saturn by the Roger Penske organization and what this means for the future of Government (General) Motors and the industry. Unfortunately, the fortunes of the car business are now linked to the vicissitudes of the White House and the pocketbooks of taxpayers. Oh, how I wish it were not so.

Saturn was a great concept in rethinking how cars had been built and sold over the previous 50 years. But it was an entrepreneurial idea that was smothered inside one of the world's biggest non-governmental bureaucracies. Saturn needed to move, change, and react quickly but it was prevented from doing so. GM starved the company for product in the late 90s and when the product eventually came, it was late and boring. Saturn even had a unique 1-page labor union contract with its local independent union. The contract worked for everybody, except the UAW management in Detroit, which hated the fact that the local union could make decisions and contracts without them. So, after a few years, that 1-page contract was torn up and Saturn workers were paid and controlled like any other GM employees, by the union bosses in Detroit.

The one area where Saturn stayed fairly true to its mission was at the retail/dealer level. Those committed independent businessmen and women continued to provide customers with industry-leading levels of care and innovation. Some became disenchanted with GM and the UAW's lack of commitment to the brand and its ideals and left the brand.

But many stayed, and that's what Penske is buying. He wants an excellent, dedicated, and creative dealer body through which to sell and service cars. For a year or two, GM will continue to supply some of the existing Saturn products to these dealers. But Penske is free to sell any cars made from whomever through this network in the future. Penske already is the distributor in the US for the Smart car (built by Mercedes), which has been quite successful. He will have the option of having other manufacturers build Saturn branded cars and/or sell other brands with the promise of Saturn treatment and service. Suppose that Tesla wanted national distribution for their electric cars. Maybe Saturn would be a good place to get that? Or suppose Peugeot, Renault, or somebody wanted back in the US market, Saturn stores could prove to be the conduit.

This sort of "Best Buy" of car retailing, or "contract manufacturing" instead of a company owning the plants that build its cars, is a new and untried concept in the car business. It is risky. But it

just might work. That's what entrepreneurs do. They take risks to create something new. Sometimes they succeed. Sometimes they fail.

I think that Saturn just may work in the Penske organization. I hope it does. It won't be the American-built small car company that it set out to be, but it just might fulfill the second part of the mission, which was to redesign how cars are built, sold, and serviced. It clearly wasn't working within the GM/UAW structure, and the Obama/ UAW bureaucracy now running GM will be many times worse.

A Chinese company has now bought Hummer; I don't know anything about the buyers, but Hummer could do very well as the worldwide equivalent of Ferrari or Porsche of trucks. Opel has been sold to a consortium headed by a Canadian parts supplier called Magna, perhaps they can make Opel work, and Saab may be sold to a small Swedish manufacturer. These are GM's most troubled brands but they have hope when they are freed from the costs, obligations, arrogance, and structure of GM, nationalization, and the union's intransigence.

General Motors is gone. Yes I know it is technically still around. But it has been nationalized and is now a pawn of the state and the UAW, and this will likely only postpone its demise. I have been very melancholy about the collapse of this great symbol of American manufacturing, but it lasted over 100 years. That's actually not bad in a world where technologies and competition changes as fast as it does now. How many other companies from 1908 can you think of that are still around today? I don't think of this as the failure of American business, I actually think of it instead as a great piece of history that shines as a triumph of American industry for 100 years. The fact that it didn't make it to the 200 year mark is a testimony to free markets and free choice that punish companies that do not change and reward better and fresher ideas. It was a great company once. But time has passed it by.

Now, parts of that once great industrial behemoth have a new lease on life with their new smaller owners. I hope that Saturn succeeds under Penske and frankly, I hope Hummer does too. Someday, someone will probably take over Chevrolet and Cadillac, two of the worlds great brands, and do something great with them after being freed from suffocating government, politicization, and bureaucracy.

Ford is still around and I hope that the first great American car company succeeds well into the future as a non-nationalized entity. I believe it will, and who knows if the 'Teslas' and 'Fiskers' (a new start up car company headquartered in Irvine, California) of the world, might just turn out to be the success stories of the future.

GM and Chrysler are in their final chapters, at least in the form they once had. But the story of the American automobile and the American entrepreneur are far from over. Personal transportation is part of the American ethos. It allows us to go wherever we want whenever we want without being restricted to government modes of transport and thereby limited to when and where the state thinks we should be allowed to travel. This was symbolized by the freedom of the horse until Henry's Ford's production line got going. Now it is the automobile. The Obama/ Pelosi cabal would like us to get out of cars as part of their quest to make us conform to the behaviors that they believe we should have. Obama's Transportation Secretary has even said:

"About everything we do around here is government intrusion into people's lives...it is a way to coerce people out of their cars..." - U.S. Dept. of Transportation Secretary Ray LaHood That won't work. Americans love freedom too much. The companies will be different, the names will be different, and how cars are powered will be different. But American's love affair with the automobile and its role reinventing it is not over yet.

Put your foot to the floor and enjoy the drive.

Until next, time I remain respectfully,

John Campbell

Member of Congress